

REPORT SUMMARY

Office of the Commissioner of Higher Education

We performed a financial-compliance audit of the Office of the Commissioner of Higher Education (office) for the two fiscal years ended June 30, 2007. The prior audit report contained two recommendations. The office implemented one recommendation and partially implemented one recommendation. The office has not complied with state law regarding indirect costs, discussed further on page 7. The six recommendations in this report relate to compliance with state and federal laws and regulations.

We issued a qualified opinion on the financial schedules contained in this report. The Independent Auditor's Report on page A-3 and Recommendation #2 on page 7 discuss misstatements on the office's financial schedules. The reader should use caution when relying on the financial information presented and the supporting information on the state's accounting system.

The listing below serves as a means of summarizing the recommendations contained in the report, the office's response thereto, and a reference to the supporting comments.

Recommendation #1

We recommend the office maintain the Group Insurance Plan reserve based on sound actuarial principles or other applicable criteria in accordance with federal regulations. ...6

Office Response: Do not concur B-4

Recommendation #2

We recommend the office record the Montana Family Education Savings Program activity on its accounting records in accordance with generally accepted accounting principles. ...7

Office Response: Concur.....B-5

Recommendation #3

We recommend the office:

- A. Recover indirect costs to the fullest extent possible in accordance with state law.
- B. Record indirect cost recoveries in the appropriate fund and account in accordance with state law.
- C. Obtain approval from the Board of Regents prior to accepting grants that limit the office's ability to recover indirect costs in accordance with state law. 8

Office Response: Concur:.....B-5

Recommendation #4

We recommend the office pay the indirect costs of the Rural Physicians Incentive Program from the fees collected in accordance with state law.9

Office Response Concur..... B-6

Recommendation #5

We recommend the office invest the GEAR UP funds with the Board of Investments in accordance with state law. 10

Office Response: Concur..... B-6

Recommendation #6

We recommend the office minimize the time between the draw of federal funds and their disbursement for federal program purposes as required by federal regulations. 10

Office Response: Concur..... B-6